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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

WESLEY HOLDINGS LTD.,

Plaintiff,

v.

3SI SYSTEMS, LLC, SURGICAL SAFETY
SOLUTIONS, LLC, DOWNING HEALTH
TECHNOLOGIES, LLC, DOWNING
INVESTMENT PARTNERS, LP, DOWNING
PARTNERS, LLC, HANOVER SQUARE
CAPITAL PARTNERS, LP, CLINIFLOW
TECHNOLOGIES, LLC, AND DAVID W.
WAGNER,

Defendants.

Case No. 1:17-cv-3362-KPF

**RECEIVER'S FIRST STATUS REPORT PURSUANT TO
ORDER APPOINTING RECEIVER DATED SEPTEMBER 5, 2017**

William A Brandt, Jr., of Development Specialists, Inc., by his attorneys, Rosen & Associates, P.C., as and for his first status report pursuant to this Court's order (the "**Receivership Order**"), dated September 5, 2017, appointing William A Brandt, Jr. as receiver (the "**Receiver**") over all of the assets of 3si Systems, LLC ("**3si**"), one of the defendants in the above-captioned action, respectfully represents:

1. Shortly after the entry of the Receivership Order, the Receiver communicated with BakerHostetler, counsel for Wesley Holdings, Ltd. ("**Wesley Holdings**"), plaintiff in the above-captioned action, to become familiar with the facts alleged in the action

and the terms of the Receiver's mandate, particularly with respect to recovering, marketing and monetizing the assets of 3si listed on Exhibit 1 of the Receivership Order, which assets collateralize 3si's obligations to Wesley Holdings.

2. The Receivership Order authorized the Receiver to, among other things, borrow from Wesley Holdings on a senior secured basis to assist the Receiver in fulfilling his duties. Towards that end, Wesley Holdings has loaned the receivership estate \$50,000 and the receiver has deposited such funds into a special account opened by and in the name of the Receiver.

3. The Receiver has prepared and executed an independent contractor agreement pursuant to which the counter-party, a former employee of 3si, has been employed to assist the Receiver in identifying, locating and retrieving assets, and securing the source code for the software application that is the subject of that certain Distributor Agreement, dated December 23, 2014, by and between 3si, as distributor, and its wholly-owned subsidiary, which, upon information and belief, is the owner of the software.

4. Under the Distributor Agreement, 3si has the right to sell and distribute products, software and technologies owned by its subsidiary. Upon information and belief, 3si's rights in and to the Distributor Agreement is its primary asset. Accordingly, protecting the source code for the software application is necessary and essential to protecting and preserving of 3si's rights in the Distributor Agreement.

5. As to monetizing 3si's rights in the Distributor Agreement, the Receiver has been assembling marketing materials that had been prepared prior to the entry of the Receivership Order, begun to prepare materials to be used in soliciting the marketplace for

parties interested in acquiring 3si's rights in the Distributor Agreement, and begun to identify such parties.

6. Selling 3si's rights in the Distributor Agreement may prove challenging given that (i) 3si is not the owner of the underlying software application; and (ii) 3si's subsidiary, which is the owner, is not able to take steps to maintain and support the software application itself.

7. The Receiver has taken steps to identify, locate and obtain books and records of 3si and, through counsel, has written to banks at which the Receiver believes 3si maintained accounts, demanding that they turn over to the Receiver all funds on deposit at such banks, if any. To date, the Receiver has not recovered any funds.

8. Finally, the Receiver, through counsel, made demand upon the defendants in the captioned action, by letter dated September 19, 2017, that they surrender to the Receiver:

Any and all intellectual property, hardware, software, computer source code and passwords, licenses, books, records, contracts, agreements, leases, purchase orders, invoices, checks, checkbooks, bank account statements, ledgers, journals, and other documents of any kind or description, in whatever form they may be maintained (including in any electronic media or paper), related to the collateral or the proceeds, that the Receiver may deem necessary (in the Receiver's sole discretion) to fulfill the Receiver's duties and responsibilities pursuant to this Order and applicable law;

All cash, bank accounts and [] equity interests (including any and all bank accounts or equity interests of any kind in the name of 3si Systems or any present or former agent of 3si Systems), plans and specifications, service agreements, investments, solicitation of investments, insurance, accounts payable and receivable and correspondence with current or former employees of or investors in the collateral, of any kind, relating to the collateral and its maintenance, use or operation;

All proceeds, including all accounts receivable, earnings, issues, profits, rents and other revenues of any kind or description previously,

currently, or hereafter derived from or in any manner related to the collateral; and

Any and all documents necessary to name the Receiver as a primary insured party on any existing liability and property damage insurance coverage applicable to the collateral.

9. Notwithstanding the repeated assertions of counsel for the defendants that he would reply to such demands, he has yet to do so. In the absence of a reply in the near future, the Receiver will seek the assistance of the Court.

Dated: New York, New York
October 20, 2017

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By: /s/ Alice P. Ko
Alice P. Ko

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